

Message Text

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FOR UNDER SECRETARY ROGERS ONLY FROM SORENSON

FOLLOWING REPEAT OECD PARIS 26986 ACTION SECSTATE, ALL OECD CAPITALS

,
ALGIERS, JIDDA, BUENOS AIRES, BRASILIA, YAOUNDE, NEW DELHI,
JAKARTA, BAGHDAD, TEHRAN, KINGSTON, MEXICO CITY, LAGOS, ISLAMABAD,
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DATED 16 SEP 76.

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TAGS: OECD, CIEC, EGEN, ETRD, EFIN, EAID, ENRG

SUBJECT: PROPOSALS SUBMITTED BY THE G. 19 ON THE
PROBLEMS OF INDEBTEDNESS OF DEVELOPING COUNTRIES IN
DEVELOPMENT COMMISSION

BEGIN TEXT

THE COMMISSION ON DEVELOPMENT AGREES:

THAT GENERALIZED AND IMMEDIATE OFFICIAL DEBT
RELIEF THROUGH MEASURES TO BE ADOPTED BY DEVELOPED
COUNTRIES IN FAVOUR OF INTERESTED DEVELOPING COUNTRIES
AND PARTICULARLY OF THE MSA, LEAST DEVELOPED,
DEVELOPING LAND-LOCKED AND DEVELOPING ISLAND
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COUNTRIES (FOOTNOTE: IT IS UNDERSTOOD THAT COUNTRIES

EXPERIENCING SIMILAR GEOGRAPHICAL DIFFICULTIES AND WHICH HAVE BEEN QUALIFIED AS SEMI-LAND-LOCKED WOULD BENEFIT OF THE SAME TREATMENT. END FOOTNOTE) ARE ESSENTIAL IN RESTORING THE MOMENTUM OF GROWTH LOST DURING THE ECONOMIC CRISIS AND TO FACILITATE THE ACHIEVEMENT OF THE IDS TARGET.

TO THIS END:

A. OFFICIAL DEBTS

1. BILATERAL DEBT OWED TO DEVELOPED COUNTRIES

I) THE LEAST DEVELOPED, DEVELOPING LAND-LOCKED AND DEVELOPING ISLAND COUNTRIES SHOULD HAVE THEIR OFFICIAL DEBTS CONVERTED INTO GRANTS.

II) OTHER MOST SERIOUSLY AFFECTED COUNTRIES SHOULD RECEIVE THE SAME TREATMENT AS ABOVE, OR AS A MINIMUM, SHOULD HAVE THEIR OUTSTANDING OFFICIAL DEBTS RECOMPUTED AT THE PRESENT IDA TERMS WITH A MINIMUM GRANT ELEMENT OF 90 PERCENT.

III) DEBT RELIEF SHOULD ALSO BE PROVIDED BY DEVELOPED BILATERAL CREDITORS AND DONORS TO OTHER DEVELOPING COUNTRIES SEEKING RELIEF.

2. MULTILATERAL DEBTS

MULTILATERAL DEVELOPMENT FINANCE INSTITUTIONS SHOULD PROVIDE PROGRAM ASSISTANCE TO EACH MSA, LEAST DEVELOPED, ISLAND AND LAND-LOCKED DEVELOPING COUNTRY IN AN AMOUNT NO LESS THAN ITS DEBT SERVICE PAYMENTS TO THESE INSTITUTIONS. IN THE CASE OF OTHER INTERESTED DEVELOPING COUNTRIES, AND TO THE EXTENT SOUGHT UNCLASSIFIED

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BY SUCH COUNTRIES, MULTILATERAL DEVELOPMENT FINANCE INSTITUTIONS SHOULD PROVIDE PROGRAM ASSISTANCE TO THEM IN AN AMOUNT NO LESS THAN THEIR SERVICE PAYMENTS TO THESE INSTITUTIONS.

B. COMMERCIAL DEBTS

1. I) INTERNATIONAL AGREEMENT SHOULD BE REACHED TO

CONSOLIDATE DEBTS OF INTERESTED DEVELOPING COUNTRIES AND TO RESCHEDULE PAYMENTS OVER A PERIOD OF AT LEAST 25 YEARS.

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II) THE CONSOLIDATION OF COMMERCIAL DEBTS AND THE RESCHEDULING OF PAYMENTS SHOULD BE ACHIEVED BY THE FUNDING OF THE COMMERCIAL DEBTS OF THE INTERESTED DEVELOPING COUNTRIES.

III) A FINANCIAL FACILITY TO REFINANCE THE BURDENSOME SHORT-TERM LOANS CONTRACTED IN RECENT YEARS SHOULD BE ESTABLISHED FOR THE USE OF INTERESTED DEVELOPING COUNTRIES, PERHAPS UNDER THE AEGIS OF THE WORLD BANK AND THE IMF.

2. IN REGARD TO THE DEBTS CONTRACTED THROUGH FINANCIAL MARKETS OR CREDIT INSTITUTIONS BY DEVELOPING COUNTRIES SEEKING DEBT RELIEF, TWO POSSIBLE SOLUTIONS MAY BE APPLIED:

I) THE GOVERNMENTS OF COUNTRIES OF ORIGIN OF CREDIT INSTITUTIONS SHOULD ADOPT MEASURES TO PERSUADE THESE INSTITUTIONS TO RESCHEDULE OR REFINANCE THE TOTAL CAPITAL AND INTEREST DUE. THIS REFINANCING SHOULD BE MADE AT THE LOWEST MARKET RATES. THE AMORTIZATION PERIOD SHOULD BE THE SAME AS FOR THE ORIGINAL OPERATION BEING REFINANCED AT THE TIME OF SUCH REFINANCING.

II) THE GRANT OF A LOAN AND INTEREST SUBSIDY BY THE UNCLASSIFIED

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GOVERNMENTS OF THE DEVELOPED CREDITOR COUNTRIES PARTICIPATING IN THE RESCHEDULING OF THE OFFICIAL DEBT OF THE DEBTOR COUNTRY FOR REFINANCING OF THE PRIVATE FINANCIAL DEBTS OF THE COUNTRY. THE AMOUNT OF THIS LOAN SHOULD BE EQUIVALENT TO THE CAPITAL AND INTEREST DUE AND SHOULD BE ON THE SAME CONDITIONS ESTABLISHED FOR THE RESCHEDULING OF THE PUBLIC DEBT. END TEXT. UNQTE: HABIB

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